

SUPPORT FOR S. 2270 AS PASSED
BY THE SENATE

HON. GARY G. MILLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 12, 2014

Mr. GARY G. MILLER of California. Mr. Speaker, last week the Senate passed legislation to address capital requirements for insurers that are supervised by the Federal Reserve Board. The Senate-passed legislation is substantially similar to H.R. 4510, legislation that Rep. CAROLYN MCCARTHY and I introduced earlier this year, and we strongly support it.

The legislation passed by the Senate would ensure that insurance companies that are either nonbank systemically important financial companies (SIFIs) or savings and loan holding companies (SLHCs) are not subject to banking capital standards. There is unanimous agreement among policymakers and other experts that it is inappropriate and harmful to subject insurance companies to bank capital standards because of the critical differences between the two business models.

Insurance companies, particularly life insurance companies, make long-term investments to match long-term liabilities such as life insurance, annuities, and pensions. By contrast, banks are subject to immediate calls on assets, particularly under times of economic stress, and must maintain a high level of liquidity to pay out demand deposits. Bank regulatory standards are tailored to that business model, while state risk-based capital standards are tailored to the insurance business model. Imposing bank standards on insurers under Federal Reserve supervision would disrupt insurance markets and hurt consumers by causing insurers to shift into assets that are inappropriate for the insurance business model and asset-liability matching principles. Alternatively, insurers might be compelled to exit certain capital-intensive product lines, which is bad for consumers.

The intent of S. 2270 as passed by the Senate would be to avoid these problems and ensure that regulators do not impose bank capital standards on insurers supervised by the Federal Reserve. The legislation amends section 171 of the Dodd-Frank Act and clarifies that the Federal Reserve may create tailored insurance capital standards, as necessary, for supervised holding companies with insurance operations.

To accomplish the goal of directing the Federal Reserve to tailor rules for insurance, the Senate-passed legislation permits the Federal Reserve to create a tailored, non-bank-centric capital regime for the insurance operations of supervised entities. Under the Senate bill, banking activities of insurers would remain subject to consolidated capital standards under section 171.

In distinguishing between insurance versus non-insurance activities of a supervised entity, the legislation provides regulators with the flexibility to tailor the rules for subsidiaries of insurance companies that support and are necessary to the business of insurance, including, for example, subsidiaries that support insurance company general and separate accounts. The Senate-passed legislation defines "business of insurance" by reference to section 1002 of the Dodd-Frank Act. Under this

definition the business of insurance means "the writing of insurance or the reinsuring of risks by an insurer, including all acts necessary to such writing or reinsuring and the activities relating to the writing of insurance or the reinsuring of risks conducted by persons who act as, or are, officers, directors, agents, or employees of insurers or who are other persons authorized to act on behalf of such persons." The reference to this definition of the "business of insurance" will help ensure that insurance activities of federally supervised companies are subject to tailored capital rules.

Consistent with congressional intent, the Senate legislation would also help ensure that the Federal Reserve use its authority to tailor capital rules for insurance operations of entities under its supervision, regardless of the depository institution subsidiary's size. It would be inappropriate and detrimental to insurance consumers for the Federal Reserve to impose a banking capital regime on the entire enterprise of a large insurer that happens to own a large insured depository institution—the depository institution in that operation will be subject to appropriate banking standards under current law, and the insurance operations should be subject to appropriate insurance standards.

Another important provision of our legislation and the Senate-passed legislation addresses the issue of insurance accounting. Every publicly traded company in the United States is required to prepare consolidated financial statements under Generally Accepted Accounting Principles (GAAP), and all insurance companies in the United States are required by their state insurance regulators to use an accounting method known as Statutory Accounting. In fact, many mutual insurance companies only use Statutory Accounting in preparing their financial statements.

Statutory Accounting Principles are more conservative than GAAP because they are specifically designed to promote insurer solvency and the ability to pay claims rather than measuring an insurer's value as a going concern. Mandating that insurers using only SAP adopt GAAP accounting would impose significant cost and a multi-year time commitment on those insurers with limited, if any, supervisory benefit to regulators.

H.R. 4510 includes a provision prohibiting the Federal Reserve from imposing GAAP accounting on insurers that only prepare and file SAP statements at the holding company level. S. 2270 was amended to include a provision clarifying that nothing in the legislation prevents the Federal Reserve from obtaining any information it is otherwise entitled to obtain from a SAP-only insurer. We support this change, and also support the House passage of the legislation as amended by the Senate, which has the unanimous support of the Senate, as well as other important constituencies. The key purpose here is to ensure that insurance entities affiliated with depository institutions are not subject to the unfair, bank-centric capital standards, regardless of the accounting model they utilize.

Mr. Speaker, we and the many other supporters of insurance capital legislation are pleased that S. 2270 as amended passed the Senate and look forward to its passage by the House. We also look forward post-enactment to working with regulators as they develop rigorous, well-tailored standards that reflect the insurance business model.

PERSONAL EXPLANATION

HON. RUBÉN HINOJOSA

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 12, 2014

Mr. HINOJOSA. Mr. Speaker, I submit a clarification of my vote during consideration of H.R. 4745, the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2015. I fully intended to continue my strong support of the Housing for Persons with AIDS program and mistakenly voted "no" on rollcall vote 277, the Nadler Amendment. I intended to vote "aye."

RECOGNIZING THE CONTRIBUTIONS OF JEFFERSON R. VOSS

HON. ALAN GRAYSON

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 12, 2014

Mr. GRAYSON. Mr. Speaker, I rise today in honor of Lesbian, Gay, Bisexual, and Transgender (LGBT) Pride Month, to recognize Jefferson "Jeff" R. Voss. Jeff is a fourth generation Central Floridian and a graduate of the University of Central Florida. Jeff was a Certified Public Accountant with KPMG in Orlando prior to joining the Tavistock Group, an international private investment firm, where he is a Senior Director.

Jeff has provided financial support to many LGBT organizations throughout his life. However, in 2009, he began to turn a life-long dream into reality by creating the concept which has become the Zebra Foundation for Youth, Inc. and the Zebra Coalition.

The Zebra Foundation for Youth and Zebra Coalition's mission is to foster hope, dignity and self-respect in lesbian, gay, bisexual, transgender and all (LGBT+) youth and to provide them an opportunity to grow up in a safe, healthy and supportive environment.

Jeff is the president of the Zebra Foundation, which derives support from diverse sources, including other foundations, businesses, individuals, and grants from government agencies.

In direct partnership with the Zebra Foundation, the Zebra Coalition was established in response to the growing number of LGBT+ youth who are experiencing homelessness, bullying, extreme physical and sexual abuse, isolation from their families, and a wide range of life challenges. The primary goal of the Zebra Coalition is to meet the specialized needs of these "at-risk youth". This is done by providing each young person being assisted by the Zebra Coalition with an individually tailored program. This focus on the individual helps to ensure that the intervention will ultimately guide them to recovery and stability.

The Zebra Coalition is a unique organization comprised of service groups, government agencies, social service providers, schools, colleges and universities that together provide a continuum of support for LGBT+ youth. Each of these organizations is able to provide essential services including shelter, counseling, and basic necessities to at-risk LGBT+ youth.

It is through the dedication of Jeff and numerous coalition members, volunteers, supporters and Foundation board members, that